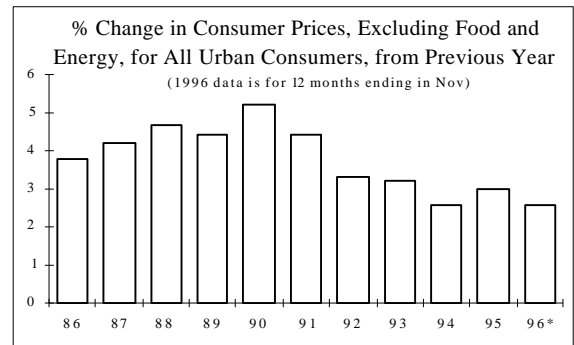
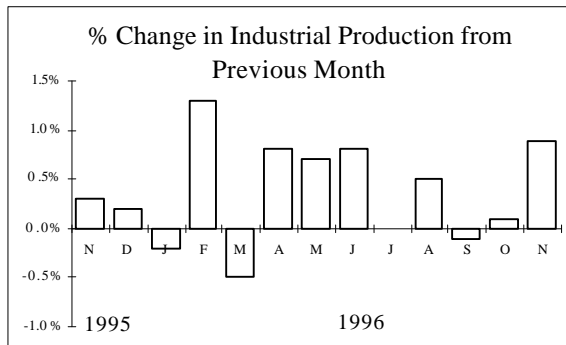


The Economic Bulletin

Volume VII, #23, December 20, 1996



INDUSTRIAL OUTPUT SOARS IN NOVEMBER

The Federal Reserve reported that Industrial Output increased by 0.9% in November, the largest gain in 9 months. Half of the increase was attributed to the rebound in auto output due to resumption of work in General Motors plants and the manufacturing facilities that supply them. Also, part of the gain was attributed to increased utility output in response to colder than usual weather in November.

LOW INFLATION, WEAK RETAIL SALES

The Labor Department reported that the core consumer inflation rate, which excludes volatile energy and food prices, rose only 0.2% in November and 2.6% in the past 12 months, the same or lower than any annual rate in the past 10 years. The low core rate, along with a 0.4% decline in retail sales in November, may have contributed to the Federal Reserve's decision not to increase interest rates this month.

RUSSIAN INFLATION

The Russian government reported that consumer prices rose 1.9% in November, the highest monthly rate since April. The rate for all of 1996 is expected to be about 22%, much less than the 131% rate for 1995 and the lowest rate since the start of market reforms in 1992. The Russian government also reported that the GDP was 6% less in the first 10 months of 1996 than in the same period in 1995.

RUSSIAN OIL AGREEMENT SIGNED

The Russian government recently signed a production sharing protocol that is a prelude to an agreement with a consortium of Western oil companies to allow production of a field in Arctic Russia that has potential recoverable reserves of 2.2 million barrels. The potential capacity of this field is enough to supply the US with all its oil needs for 1/3 of a year.

GERMAN ECONOMY STRENGTHENS

The German government reported that in the third quarter of 1996 the economy has grown 2.4% compared with the same period in 1995, the strongest year-to-year quarterly growth in 1 1/2 years. Strong exports, rising capital investment and a surge in government spending all contributed to the GDP growth. According to the Bank of America, the strong growth came as a surprise and could put the brakes on the dollar's strength against the mark.

FUEL PRICES (dollars/bbl) AND EXCHANGE RATES (foreign units/US dollars)

	<u>Dec 13</u>	<u>Dec 6</u>		<u>Dec 13</u>	<u>Dec 6</u>
Crude Oil (Foreign)	21.07	22.50	DM (Germany)	1.54	1.54
Crude Oil (Domestic)	24.48	25.63	Yen (Japan)	113.02	111.99
Pound (UK)	0.604	0.610	Peso (Mexico)	7.91	7.89
Ruble (CIS)	5527	5519	Won (S. Korea)	843	830

The Economic Bulletin is published by the Office of the Assistant Secretary of the Army (FM&C), SAFM-RB. Should you have any questions or comments please contact Dr. Robert Raynsford at (703)697-2281 (DSN 227-2281). This publication is available on the Internet World Wide Web (http://134.11.192.15/pubs/eco_blt/economic.htm). Contact WELTZLJ@HQDA.ARMY.MIL for more information.